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Hearing Date:  
January 19, 2017 at 1:30 pm.

*Proposed Attorneys for the Debtor*

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
	:	
CHOXI.COM, INC,	:	Case No. 16-13131 (SCC)
	:	
	:	
Debtor.	:	
	:	

**AFFIDAVIT OF BLANCHE ZELMANOVICH OF CBIZ ACCOUNTING, TAX &  
ADVISORY OF NEW YORK, LLC, AS PROPOSED JOINT FINANCIAL ADVISORS  
TO THE DEBTOR AND THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS**

STATE OF NEW YORK     )  
                                      )     SS:  
COUNTY OF NEW YORK    )

Blanche Zelmanovich, being duly sworn, says:

1. I am a Managing Director of CBIZ Accounting, Tax & Advisory of New York, LLC, proposed joint financial advisors to Choxi.com, Inc. ("Debtor"), as Debtor and Debtor in possession, and the Official Committee of Unsecured Creditors (the "Committee") in this case. I submit this affidavit ("Affidavit") in support of the Debtor's Motion (the "Motion") Pursuant to Sections 105(a), 332 and 363 of the Bankruptcy Code and Bankruptcy Rules 2002 and 6004 for an Order Approving License Agreement on a Final Basis or Sale to Successful Bidder Free and

Clear of All Liens, Claims and Encumbrances [Docket No. 11]. I am fully familiar with the matters discussed herein.

2. I attended the Auction held at the offices of Klestadt Winters Jureller Southard & Stevens, LLP on January 12, 2017 at the request of the Debtor's Chief Restructuring Officer ("CRO"), Debtor's proposed counsel, the Committee and proposed Committee counsel. Prior to the Auction, I was provided copies of (i) each of the bids received from N.D. Gems Inc. and 9<sup>th</sup> LLC (collectively, the "Stalking Horse Bidder") and Creek Equity Partners, LLC ("Creek Equity") and (ii) supporting financial information provided by each of the bidders.

3. For the Stalking Horse Bidder, I was provided with September 30, 2016 balance sheets and 2015 tax returns for each of N.D. Gems LLC, 9th LLC, and their affiliate Lucent Jewelers Inc. (collectively, the "Stalking Horse Entities").

4. For Creek Equity, I was provided 2015 tax returns and a December 31, 2016 balance sheet for The Source Force, LLC ("Source Force"), an affiliate of Creek Equity, as guarantor of a portion of the Creek Equity bid.

5. During the Auction, in consultation with the Debtor's CRO and proposed counsel, the Committee and its proposed counsel, I analyzed each bid and determined that the Creek Equity bid provided \$2.23 million more cash over the life of the license agreement as compared to the Stalking Horse Bidder's bid. In addition, the Creek Equity bid provided \$1.03 million more in cash in Year 1 as compared to the Stalking Horse Bidder's bid. After taking into account the Stalking Horse Bidder's subordination of their alleged secured claim, I determined that the Creek Equity bid still provided \$730,000 more nominal value to the estate.

6. The Debtor's CRO additionally requested that I analyze and compare the financial information provided by the Stalking Horse Entities and Source Force. The results of my

Comparative Income Analysis are reflected in Exhibit A, which demonstrates that Source Force operated at a greater margin and was more profitable than the Stalking Horse Entities in 2015, the only year for which the bidders provided operating information.

7. In addition to the foregoing, I reviewed Lexis Nexis searches on each of the Stalking Horse Entities and their principal, Hasmulsh Savalia, the individual principal of those entities, the three individual principals of Creek Equity (Scott Zack, Jeremy Ring, and Greg Spinder) and Source Force. While certain tax liens were of record for one of the Creek Equity principals, they were not deemed to be material in the context of this matter after discussions with the Debtor's CRO and its proposed counsel, and the Committee and its proposed counsel.

8. The Debtor's CRO additionally requested that I review and analyze the financial information in light of the arguments made in the Objection of the Stalking Horse Bidder [Docket No. 62] and the Objection of TVII Corp., Bhungalia Family, LLC and Ronak Khichadia (collectively, the "Secured Lenders") [Docket No. 61]. The Secured Lenders argue in their objection that Creek Equity, through Source Force, does not have the wherewithal to satisfy its obligations under the license agreement. However, on an extrapolation of metrics applied consistently to both bidders, the Stalking Horse Entities would be required to generate four times their 2015 sales revenue (to approximately \$56 million) in order to meet its final Year 1 annual minimum guaranteed royalty in full, while Source Force would only need to double its sales revenue (to approximately \$10 million). This is shown in my analysis included on Exhibit A.

9. In response to the Secured Lenders' objection that their recoveries would suffer if Creek Equity is the successful bidder and defaults in Year 1, I prepared liquidation analyses. Creek Equity provides more cash in both a high and low liquidation scenario than the Stalking Horse Entities, who would have insufficient assets as demonstrated in the liquidation analyses in

Exhibit C and Exhibit D. In addition, while the Stalking Horse Entities may have approximately \$11 million of inventory while Creek Equity (through Source Force) reports \$2.5 million, the Stalking Horse Entities have over \$12 million in accounts payable, while Source Force has approximately \$50,000 in accounts payable.

10. The Stalking Horse Bidder argues in its Objection that the Stalking Horse Bidder's bid would provide more money to unsecured creditors than the Creek Equity bid. However, this analysis is incorrect and fails to take into account the \$2.3 million that must be paid to the Secured Lenders before payments to unsecured creditors. In fact, as reflected in the waterfall analysis (Exhibit B), unsecured creditors would receive a minimum of \$2.04 million under the Creek Equity bid, while they would receive only a minimum of \$1.31 million under the Stalking Horse Bidder's bid.

/S/ Blanche Zelmanovich  
Blanche Zelmanovich, Managing Director  
CBIZ Accounting, Tax and Advisory of New York, LLC

Sworn to and subscribed before me this  
18<sup>th</sup> day of January, 2017

/s/ Tracy L. Klestadt  
Notary Public

Choxi.com, Inc.

**Comparative Income Analysis**

**For Calendar Year 2015**

**Source: 2015 Tax Returns**

Description	Stalking Horse Entities	%	Source Force	%
<b>Income</b>				
Gross Receipts	\$ 14,008,559	100.0%	\$ 4,272,137	100.0%
Less: Returns & Allowances	(943,438)	-6.7%	(6,901)	-0.2%
Cost of Goods Sold	(10,897,310)	-77.8%	(2,855,094)	-66.8%
Other Income	9,053	0.1%	4	0.0%
<b>Gross Profit</b>	<b>\$ 2,176,864</b>	<b>15.5%</b>	<b>\$ 1,410,146</b>	<b>33.0%</b>
<b>Total Expenses</b>	<b>1,997,876</b>	<b>14.3%</b>	<b>764,176</b>	<b>17.9%</b>
<b>Net Income</b>	<b>\$ 178,988</b>	<b>1.3%</b>	<b>\$ 645,970</b>	<b>15.1%</b>

**Bidder Breakeven Analysis**

<b>2015 Margin</b>	<b>15.5%</b>	<b>33.0%</b>
<b>2015 Expense</b>	<b>14.3%</b>	<b>17.9%</b>
Minimum Year 1 <sup>1</sup>	\$ 720,000	\$ 1,500,000
Breakeven Sales <sup>2</sup>	\$ 56,351,054	\$ 9,920,345
COGS	47,594,366	6,645,849
Gross Profit	8,756,688	3,274,496
Expenses	8,036,688	1,774,496
Net Income	<u>\$ 720,000</u>	<u>\$ 1,500,000</u>

<sup>1</sup> Excludes the Administrative Fee already deposited into an escrow account.

<sup>2</sup> The break even sales results for the Stalking Horse Entities and Source Force are \$56.3 million and \$9.9 million, respectively. We note that this results in a multiple of 4x and 2.3x for the Stalking Horse Entities and Source Force, respectively.

**Choxi.com, Inc.**

**Bid Comparison - Final Round**

<b>Stalking Horse Bidder</b>	Personal Guarantee Dropped in Prior Round; Cross Corporate Guarantee Added					
Subordinated <sup>1</sup>	\$	1,500,000				
Administration Fee	\$	250,000				
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<i>Royalty %</i>	12%	10%	8%	6%	4%	
Minimum Guarantee	\$ 60,000	\$ 60,000	\$ 60,000	\$ 50,000	\$ 50,000	
Annual Minimum Guaurantee	\$ 720,000	\$ 720,000	\$ 720,000	\$ 600,000	\$ 600,000	\$ 3,360,000
<b>Min. Cash Total by Year</b>	<b>\$ 970,000</b>	<b>\$ 720,000</b>	<b>\$ 720,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 3,610,000</b>

<b>Creek Equity</b>	Cross Corporate Guarantee; Secured lien on Source Force and Creek Equity for first years minimum					
Administration Fee	\$	500,000				
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<i>Royalty %</i>	12%	10%	8%	6%	4%	
Minimum Guarantee	\$ 125,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	
Annual Minimum Guaurantee	\$ 1,500,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 5,340,000
<b>Min. Cash Total by Year</b>	<b>\$ 2,000,000</b>	<b>\$ 960,000</b>	<b>\$ 960,000</b>	<b>\$ 960,000</b>	<b>\$ 960,000</b>	<b>\$ 5,840,000</b>

<b>Stalking Horse Variance</b>						
<b>Higher (Lower)</b>	<b>\$ (1,030,000)</b>	<b>\$ (240,000)</b>	<b>\$ (240,000)</b>	<b>\$ (360,000)</b>	<b>\$ (360,000)</b>	<b>\$ (2,230,000)</b>

<sup>1</sup> For purposes of this analysis, the Stalking Horse Bidder's secured claim is considered valid and unchallenged. The Debtor and Committee reserve all rights with respect to the validity and amount of the Stalking Horse Bidder's alleged secured claim.

**Choxi.com, Inc.**

**Bid Comparison Waterfall**

**Stalking Horse Bidder**

Subordinated<sup>1</sup> \$ 1,500,000

Admin Fee \$ 250,000

	Year 1	Year 2	Year 3	Year 4	Year 5	
<i>Royalty %</i>	12%	10%	8%	6%	4%	
Annual Minimum Guarantee	\$ 720,000	\$ 720,000	\$ 720,000	\$ 600,000	\$ 600,000	\$ 3,360,000
<b>Min. Cash Total by Year</b>	<b>\$ 970,000</b>	<b>\$ 720,000</b>	<b>\$ 720,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 3,610,000</b>

**Estimated Claims at beginning of year**

1st Lien Secured	\$ 2,300,000	\$ 1,330,000	\$ 610,000	\$ -	\$ -	\$ 2,300,000
2nd Lien Secured	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GUC	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 24,890,000	\$ 24,290,000	\$ 25,000,000
Subordinated <sup>1</sup>	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000

**Estimated Payments**

1st Lien Secured	\$ 970,000	\$ 720,000	\$ 610,000	\$ -	\$ -	\$ 2,300,000
2nd Lien Secured	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GUC	\$ -	\$ -	\$ 110,000	\$ 600,000	\$ 600,000	\$ 1,310,000
Subordinated <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Estimated Claims at year end**

1st Lien Secured	\$ 1,330,000	\$ 610,000	\$ -	\$ -	\$ -	\$ -
2nd Lien Secured	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GUC	\$ 25,000,000	\$ 25,000,000	\$ 24,890,000	\$ 24,290,000	\$ 23,690,000	\$ 23,690,000
Subordinated <sup>1</sup>	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000

<sup>1</sup> For purposes of this analysis, the Stalking Horse Bidder's secured claim is considered valid and unchallenged. The Debtor and Committee reserve all rights with respect to the validity and amount of the Stalking Horse Bidder's alleged secured claim.

**Choxi.com, Inc.**

**Bid Comparison Waterfall**

**Creek Equity**

Subordinated<sup>1</sup>

Admin Fee

	N/A					
	\$ 500,000					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<i>Royalty %</i>	<i>12%</i>	<i>10%</i>	<i>8%</i>	<i>6%</i>	<i>4%</i>	
Per Year Minimum	\$ 1,500,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 960,000	\$ 5,340,000
<b>Min. Cash Total by Year</b>	<b>\$ 2,000,000</b>	<b>\$ 960,000</b>	<b>\$ 960,000</b>	<b>\$ 960,000</b>	<b>\$ 960,000</b>	<b>\$ 5,840,000</b>

**Estimated Claims at beginning of year**

1st Lien Secured	\$ 2,300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ 2,300,000
2nd Lien Secured	\$ 1,500,000	\$ 1,500,000	\$ 840,000	\$ -	\$ -	\$ 1,500,000
GUC	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 24,880,000	\$ 23,920,000	\$ 25,000,000
Subordinated <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Estimated Payments**

1st Lien Secured	\$ 2,000,000	\$ 300,000	\$ -	\$ -	\$ -	\$ 2,300,000
2nd Lien Secured	\$ -	\$ 660,000	\$ 840,000	\$ -	\$ -	\$ 1,500,000
GUC	\$ -	\$ -	\$ 120,000	\$ 960,000	\$ 960,000	\$ 2,040,000
Subordinated <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Estimated Claims at year end**

1st Lien Secured	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -
2nd Lien Secured	\$ 1,500,000	\$ 840,000	\$ -	\$ -	\$ -	\$ -
GUC	\$ 25,000,000	\$ 25,000,000	\$ 24,880,000	\$ 23,920,000	\$ 22,960,000	\$ 22,960,000
Subordinated <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<sup>1</sup> For purposes of this analysis, the Stalking Horse Bidder's secured claim is considered valid and unchallenged. The Debtor and Committee reserve all rights with respect to the validity and amount of the Stalking Horse Bidder's alleged secured claim.



**Choxi.com, Inc.**

**Bid Comparison Waterfall**

**Variance to Stalking Horse**

Subordinated<sup>1</sup>

Admin Fee

Royalty %

Per Year Minimum

**Min. Cash Total by Year**

	N/A				
	\$ (250,000)				
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
	-	-	-	-	-
	\$ (780,000)	\$ (240,000)	\$ (240,000)	\$ (360,000)	\$ (360,000)
	\$ (1,030,000)	\$ (240,000)	\$ (240,000)	\$ (360,000)	\$ (2,230,000)

**Estimated Claims at beginning of year**

1st Lien Secured	\$ -	\$ 1,030,000	\$ 610,000	\$ -	\$ -	\$ -
2nd Lien Secured	\$ (1,500,000)	\$ (1,500,000)	\$ (840,000)	\$ -	\$ -	\$ (1,500,000)
GUC	\$ -	\$ -	\$ -	\$ 10,000	\$ 370,000	\$ -
Subordinated <sup>1</sup>	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000

**Estimated Payments**

1st Lien Secured	\$ (1,030,000)	\$ 420,000	\$ 610,000	\$ -	\$ -	\$ -
2nd Lien Secured	\$ -	\$ (660,000)	\$ (840,000)	\$ -	\$ -	\$ (1,500,000)
GUC	\$ -	\$ -	\$ (10,000)	\$ (360,000)	\$ (360,000)	\$ (730,000)
Subordinated <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Estimated Claims at year end**

1st Lien Secured	\$ 1,030,000	\$ 610,000	\$ -	\$ -	\$ -	\$ -
2nd Lien Secured	\$ (1,500,000)	\$ (840,000)	\$ -	\$ -	\$ -	\$ -
GUC	\$ -	\$ -	\$ 10,000	\$ 370,000	\$ 730,000	\$ 730,000
Subordinated <sup>1</sup>	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000

<sup>1</sup> For purposes of this analysis, the Stalking Horse Bidder's secured claim is considered valid and unchallenged. The Debtor and Committee reserve all rights with respect to the validity and amount of the Stalking Horse Bidder's alleged secured claim.

Choxi.com, Inc.

Analysis of Balance Sheets for the Stalking Horse Entities

Liquation Analysis as of 9/30/16

Source: The information contained in this analysis was obtained from the September 30, 2016 Balance Sheets of the Stalking Horse Entities

	9/30/2016	%	Liquidation Analysis			
			High		Low	
<b>Assets</b>						
Cash	\$ 425,135	2.3%	100%	\$ 425,135	100%	\$ 425,135
Accounts Receivable	5,280,050	28.8%	80%	4,224,040	50%	2,640,025
Inventory	11,066,405	60.4%	60%	6,639,843	30%	3,319,922
Other Current Assets - Prepaid Income Taxes	54,073	0.3%	0%	-	0%	-
Other Current Assets - Advance to Employee	30,000	0.2%	50%	15,000	50%	15,000
Buildings and Other Depreciable Assets	232,280	1.3%	50%	116,140	50%	116,140
Less: Accumulated Depreciation	(205,777)	-1.1%				
Other Assets - Loan Receivable Officers	107,388	0.6%	50%	53,694	50%	53,694
Other Assets - Loan Receivable Others	(147,750)	-0.8%	50%	(73,875)	50%	(73,875)
Other Assets - Loan Receivable Affiliates	1,389,601	7.6%	50%	694,801	50%	694,801
Other Assets - Security Deposit	79,051	0.4%	100%	79,051	100%	79,051
<b>Total Assets</b>	<b>\$ 18,310,457</b>	<b>100.0%</b>		<b>\$ 12,173,829</b>		<b>\$ 7,269,892</b>
<b>Liabilities</b>						
Accounts Payable	\$ 12,280,064	89.3%	100%	\$ 12,280,064	100%	\$ 12,280,064
Credit Cards	(11,457)	-0.1%	100%	(11,457)	100%	(11,457)
Other Current Liabilities - Due from Affiliate	1,293,379	9.4%	100%	1,293,379	100%	1,293,379
Other Current Liabilities - Accrued Expenses	5,000	0.0%	100%	5,000	100%	5,000
Other Current Liabilities - Net Payroll & Taxes Payable	6,378	0.0%	100%	6,378	100%	6,378
Other Current Liabilities - Accrued Payroll & Taxes	173	0.0%	100%	173	100%	173
Long Term Liabilities - HSBC Loan	156,069	1.1%	100%	156,069	100%	156,069
Other Liabilities - Due to Related Party	20,000	0.1%	100%	20,000	100%	20,000
<b>Total Liabilities</b>	<b>13,749,607</b>	<b>100.0%</b>		<b>\$ 13,749,607</b>		<b>\$ 13,749,607</b>
Capital Stock	4,000		<b>Liq. Value \$ (1,575,778)</b>		<b>Liq. Value \$ (6,479,714)</b>	
Additional Paid-In Capital	25,000					
Dividend Distribution	(288,546)					
Owners' Equity	35,431					
Retained Earnings	2,228,554					
Net Income	2,556,411					
<b>Total Shareholders' Equity</b>	<b>4,560,850</b>					
<b>Total Liabilities &amp; Equity</b>	<b>\$ 18,310,457</b>					

<sup>1</sup> As this includes buildings we used a 50% discount rate as it is unclear what the actual breakdown maybe.

Choxi.com, Inc.

**Analysis of Balance Sheets for Source Force**

**Liquation Analysis as of 12/31/16**

**Source:** The information contained in this analysis was obtained from the December 31, 2016 Balance Sheet of Source Force

	<u>12/31/2016</u>	<u>%</u>
<b><u>Assets</u></b>		
Cash	\$ 226,647	6.2%
Accounts Receivable	898,406	24.4%
Inventory	2,547,674	69.3%
Depreciable Assets	49,651	1.4%
Depreciation	(49,651)	-1.4%
Other Assets - Security Deposit	3,314	0.1%
<b>Total Assets</b>	<b>\$ 3,676,041</b>	<b>100.0%</b>
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 50,352	54.5%
Credit Card Payable	27,369	29.6%
Other Current Liabilities	14,721	15.9%
<b>Total Liabilities</b>	<b>92,442</b>	<b>100.0%</b>
<b><u>Equity</u></b>		
Capital Stock	1,000	
Additional Paid In Capital	265,845	
Retained Earnings	3,501,638	
<b>Total Equity</b>	<b>3,768,483</b>	
<b>Total Liabilities &amp; Equity</b>	<b>\$ 3,676,041</b>	

<b>Liquidation Analysis</b>			
<b>High</b>		<b>Low</b>	
100%	\$ 226,647	100%	\$ 226,647
80%	718,725	50%	449,203
60%	1,528,604	30%	764,302
30%	14,895	30%	14,895
0%	-	0%	-
0%	-	0%	-
	<b>\$ 2,488,871</b>		<b>\$ 1,455,047</b>
100%	\$ 50,352	100%	\$ 50,352
100%	27,369	100%	27,369
100%	14,721	100%	14,721
	<b>\$ 92,442</b>		<b>\$ 92,442</b>
<b>Liq. Value</b>	<b>\$ 2,396,429</b>	<b>Liq. Value</b>	<b>\$ 1,362,605</b>

<sup>1</sup> As this does not indicate that buildings are included, we estimated a 30% realization rate.